NZX

NZX Interim Report
2024

About this report

The report outlines the work the NZX Group has done in the first half of 2024 to deliver sustainable wealth, value and opportunities for all.

As New Zealand's Exchange, we are proud of our record in supporting the growth and global ambitions of local companies.

Our corporate governance policies are available online at: nzx.com/about-nzx/investor-centre/governance/policies.

NZX Limited is registered with the New Zealand Companies Office and our New Zealand Business Number (NZBN) is 9429036186358.

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Mā te huruhuru ka rere te manu.
Adorn the bird with feathers to enable it to fly.

Half year review 2024

Showing strength through economic & market cycles

Operating earnings[1]

$22.4m

▲ 12%

NZX Limited ("NZX" or "the Company") has produced a solid half-year operating financial result in an ongoing challenging environment for global markets. The result demonstrates the continuing momentum of delivering to the Company's growth strategy.

In H1 2024, the Company lifted operating earnings despite the challenges of softness in equity market activity and high interest rates. Our results show the benefit of the diversified range of financial infrastructure businesses operated by NZX, and the range of offerings available for companies to access capital. It highlights the resilience and strength of NZX as a market operator, fund manager and fund administration platform provider; and the positive outlook for the Company when cyclical market conditions turn favourable.

RESULT OVERVIEW & KEY HIGHLIGHTS

The Company generated H1 2024 operating earnings (EBITDA) of $22.4 million (H1 2023 $20.0 million), an improvement of 12%. Operating earnings (EBITDA)[1] excluding one-off acquisition, integration and restructure costs increased 11.5% to $22.9 million (H1 2023 $20.6 million), with:

– operating revenue increasing 7.3% to $57.9 million; and
– operating expenses excluding acquisition, integration and restructure costs, integration costs, increasing 4.7% to $35.0 million.

NZX produced an unaudited net profit after tax (NPAT) of $15.3 million for the 2024 half year (H1 2023 $7.0 million). This included a $7.3 million net gain due to an accounting adjustment to the fair value of the QuayStreet Asset Management (QuayStreet) earnout provision. Excluding this accounting adjustment, the underlying unaudited net profit after tax was $8.0million, a year-on-year increase of 10.9%.

The Directors have declared a fully-imputed interim dividend of 3.0 cents per share (H1 2023 3.0 cents) to be paid on 3 October 2024 to shareholders registered as at the record date of 19 September 2024.

Net profit after tax

$15.3m

▲ 119.0%

Excluding the accounting adjustment to the fair value of the QuayStreet earnout provision, the underlying net profit after tax was $8.0 million, a year-on-year increase of 10.9%

HOW WE PERFORMED – NZX GROUP'S KEY PERFORMANCE MEASURES

NZX's growth strategy is to expand our Capital Markets product range and drive scale and operating leverage across our financial markets infrastructure businesses. Despite economic and financial market conditions, the first half of 2024 saw ongoing progress in delivering our strategic goals.

The macroeconomic environment remains challenging for equity raising and trading activity, affecting new issuance and market liquidity. We expect activity levels to rise as interest rates begin to fall. Nevertheless, secondary and debt issuance have remained solid, reinforcing the value of being NZX-listed as a platform for access to capital.

H1 2024 highlights across NZX include:

– successful launch of NZX Dark in June – New Zealand's first midpoint order book – providing an additional trading mechanism to execute client orders and enabling price improvement;
– continued Dairy Market volume growth in our derivatives partnership with Singapore Exchange (SGX Group);
– Smartshares launched new funds and QuayStreet won 2024 Morningstar KiwiSaver and Fund Manager of the Year awards; and
– NZX Wealth Technologies (NZXWT) transitioned five new clients on to its platform with annual recurring revenue increasing from $7.2 million in December 2023, to $8.9 million at the end of H1 2024, making strong progress on its path to becoming cash flow positive.

Performance indicators	FY24 Target	H1-24	H1-23	% Change	
Operating earnings (EBITDA) pre acquisition, integration & restructure costs ($ million)[1]	40.0 - 44.5	22.9	20.6	11.5%	▲
Capital listed & raised ($ billion)	15.0	6.3	7.2	(11.5%)	▼
Total value traded ($ billion)	38.0	16.6	18.0	(8.0%)	▼
Information Services revenue (excl. one-off revenue) ($ million)	Grow 2.1%	9.3	10.0	(2.6%)	▼
Funds under management ($ billion)	Grow 14.7%	11.9	10.7	11.3%	▲
Funds under administration ($ billion)		14.2	10.8	31.4%	▲
Dairy derivatives lots traded (k)	700 - 850	321.6	260.1	23.6%	▲

1 Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, loss on disposal of assets, gain on lease modification, change in fair value of contingent consideration, and share of profit/loss of associate. Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

Financial Performance

Summary Financial Performance ($ million)	H1-24	H1-23	% Change
Markets	30.3	31.1	(2.7%)
Funds Management	21.3	18.0	18.4%
Wealth Technologies	4.2	3.0	39.3%
Corporate Services	0.1	0.1	23.5%
Regulation	2.0	1.8	14.1%
Total operating revenue	**57.9**	**54.0**	**7.3%**
Personnel costs	(23.1)	(21.6)	(6.7%)
Information technology costs	(7.3)	(6.9)	(5.8%)
Other costs	(4.6)	(4.9)	5.8%
Total operating expenses	**(35.0)**	**(33.4)**	**(4.7%)**
Operating earnings (EBITDA)[1] pre acquisition, integration & restructure costs[1]	**22.9**	**20.6**	**11.5%**
EBITDA Margin (%)	39.6%	38.1%	3.9%
Acquisition, integration & restructure costs	(0.5)	(0.6)	8.4%
Operating earnings (EBITDA)[1]	**22.4**	**20.0**	**12.0%**
Depreciation & amortisation	(8.9)	(8.3)	(6.4%)
Change in fair value of contingent consideration	7.3	(0.2)	3339.1%
Investment in associate and other gains/(loss)	(0.1)	0.4	(145.0%)
EBIT	**20.7**	**11.9**	**74.0%**
Net finance expenses	(1.8)	(1.6)	(11.2%)
Net profit before tax	**18.9**	**10.3**	**84.1%**
Tax expense	(3.6)	(3.3)	(9.5%)
Net profit after tax	**15.3**	**7.0**	**119.0%**

1 Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, loss on disposal of assets, gain on lease modification, change in fair value of contingent consideration and share of loss/profit of associate. Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

Group Operating Revenue

$57.9m

▲ 7.3%

At a Group level, operating revenue increased by 7.3% to $57.9 million. This was driven primarily by increases in revenue from both Smartshares and NZXWT, partially offset by decreased revenue from NZX's Markets businesses due to reduced market activity because of the macroeconomic environment.

Group operating expenses, excluding acquisition, integration and restructure costs, for H1 2024 were $35.0 million – up 4.7% on the same period last year.

NZX has a strong focus on cost management and extracting efficiencies in its fund management business. Comparing H1 2024 expenses against the H2 2023 cost base, operating costs rose only 0.2%. NZX's cost management initiatives effectively absorbed the annual pay rise round that was effective from 1 January 2024. Staff remuneration is NZX's single largest cost and is being well managed with a strong focus on productivity and efficiency.

Relative to the same period last year increased operating expenses, up 4.7%, were largely driven by previously highlighted factors. Specifically, the impacts to Smartshares' cost base from both the integration of the SuperLife Superannuation Master Trust's investment management, investment administration, and registry into Smartshares teams, and from the impact of QuayStreet staff costs being included for the full period.

Group operating earnings (EBITDA) for H1 2024 was $22.4 million – up 12.0% on the prior year. Normalising earnings by excluding acquisition, integration and restructure costs, Group operating earnings (EBITDA) for the same period was $22.9 million – up 11.5%.

Acquisition, integration and restructure costs in the current year primarily relate to QuayStreet integration activities, and planning to mature and generate efficiencies in Smartshares' operations. Depreciation and amortisation increases are mainly due to amortisation of QuayStreet management rights for the full period, amortisation of additional development of, and migration of new clients onto, NZXWT's platform in 2023 and H1 2024.

The change in fair value of contingent consideration relates to an accounting adjustment to the QuayStreet earnout provision. When Smartshares acquired QuayStreet in February 2023 from Craigs Investment Partners (CIP), it agreed potential earnout consideration of up to $18.75 million. This was based on expected net FUM inflows from the CIP network over a three-year period to November 2025.

QuayStreet net FUM inflows post-acquisition have been slower than expected to this point, but the size of the opportunity remains. Consequently, our current reassessment of the probability of achieving the net FUM inflow target by November 2024 has reduced, resulting in a $7.3 million reduction of the QuayStreet earnout provision.

> "At a Group level, operating revenue increased by 7.3% to $57.9 million. This was driven primarily by increases in revenue from both Smartshares and NZXWT, partially offset by decreased revenue from NZX's Markets' businesses due to reduced market activity because of the macroeconomic environment."

The team at Gentrack – (NZX:GTK) celebrating the company's 10-year listing anniversary.

The probability of achieving the full net FUM inflow target by November 2025 will be reassessed again at year end.

While earnout-related net FUM inflows are currently lower than expected, QuayStreet is nevertheless performing strongly with revenue ahead of the acquisition business case.

The net finance expenses increase relates to the funding of the QuayStreet acquisition. It also includes increased interest on the subordinated notes and leased assets, offset by higher interest income from higher average interest rates than the comparable period.

The net profit after tax (NPAT) of $15.3 million increased 119.0% year-on-year. Excluding the accounting adjustment to the fair value of the QuayStreet earnout provision, the underlying net profit after tax was $8.0 million, a year-on-year increase of 10.9%.

CAPITAL MARKETS

H1 2024 highlighted the ongoing difficult macroeconomic impact on equity markets, balanced against the diversity of offerings that NZX provides to companies to manage and meet their capital requirements.

Markets performance ($ million)	H1-24	H1-23	% Change
Capital Markets Origination	7.9	8.2	(3.8%)
Secondary Markets	12.2	12.5	(3.0%)
Information Services	10.2	10.4	(1.5%)
Markets revenue	**30.3**	**31.1**	(2.7%)
Markets EBITDA excl. restructure costs	**20.5**	**20.9**	(2.1%)
EBITDA Margin excl. restructure costs	67.6%	67.2%	0.6%
Key Operating Metrics			
Equity Market capitalisation (ending, $ billion)	151.8	159.8	(5.0%)
Equity listed & raised ($ billion)	1.9	2.0	(5.0%)
Debt listed & raised ($ billion)	3.5	4.2	(16.7%)
Funds listed & raised ($ billion)	0.9	1.0	(10.0%)
Total value traded ($ billion)	16.6	18.0	(8.0%)
Dairy lots traded (k)	321.6	260.1	23.6%

Capital Markets Origination

Total capital listed and raised amounted to $6.3 billion for the period, reflecting an 11.5% decline compared to the prior period. This decrease is primarily attributed to ongoing challenging market conditions, which are being experienced globally.

Secondary issuance fees are paid by existing issuers when they raise additional capital. Secondary listing fees benefited from raisings from Goodman Property Trust, Heartland Group Holdings, and Infratil, which collectively raised more than $1.6 billion in equity capital in the secondary market. This represents a 30.8% year-on-year increase in total secondary capital raised, underscoring the robust ability to raise capital for growth opportunities.

Primary listing fees are paid by all debt and equity issuers at the time of listing. The primary drivers of this revenue are the number of new listings and the value of capital listed. New debt listings remained active, with a total of $1.7 billion raised. Further debt issuance is anticipated in the second half of the year.

Revenue from annual listing fees paid by NZX's equity, debt and fund issuers is driven by the number of listed issuers and equity, debt and fund market capitalisations. Annual listing fees, calculated on a listed issuer's market capitalisation at end of May, have been positively impacted by the growth in value of the NZX Debt Market, partially offset by a slight contraction in equity market capitalisation.

As an aside, it is pleasing to note subsequent to the reporting period, Santana Minerals listed on the NZX in July. More than 40% of Santana's share register on the ASX is made up of holders with New Zealand-registered addresses. Santana wants to see growth with increased New Zealand-based shareholder support, so it makes sense for Santana to undertake a dual listing on the NZX.

Secondary Markets – cash market

Participant services revenue is derived from Market Participants (trading, clearing and advisory firms) that are accredited for NZX's equity, debt and derivatives markets. The total number of Market Participants remained the same (27) for the 2024 half-year reporting period, as the number at December 2023. This included the resignation of Hobson Wealth Partners as a Trading and Clearing Participant in March 2024 and the accreditation of Jarden Wealth as an Advising Participant in April 2024.

Securities trading revenue comes from the execution of trades on NZX's equity and debt markets. Securities clearing revenue relates to clearing and settlement activities, and related services such as over-the-counter (OTC) settlement and registry messaging services provided to Market and Clearing Participants. The largest component is clearing fees which are based on the value of settled transactions through NZX's Clearing & Settlement operations.

Cash market value traded and cleared was subdued for H1 2024 because of lower market trading activity levels, down 8.0% on last year. While value traded lifted in the second quarter of the half year, we are unlikely to see a sustained lift until interest rates begin to ease and there is an upturn in macroeconomic conditions.

Secondary Markets – Dairy derivatives and GDT

Dairy is an exciting area of growth for NZX and remains well positioned across both the physical and futures markets. NZX holds a 33.3% stake in GlobalDairyTrade (GDT) alongside Fonterra and the European Energy Exchange. The suite of global dairy derivatives listings on the SGX, demonstrates the value of NZX's strategy of driving growth from strategic international partnerships.

The strategic dairy derivatives partnership with SGX Group continues to deliver growth:

- H1 2024 Dairy Derivatives volumes up 23.6% compared to H1 2023, and in May 2024 a record monthly volume of 88,834 traded lots was achieved; and
- a Market Maker and Liquidity Provision Scheme has been implemented, which we expect to assist ongoing growth in trading volumes.

In H1-2024 margin fees per lot have normalised in line with global future interest rate curves, which has offset the traded volume growth and resulted in a drop in revenue.

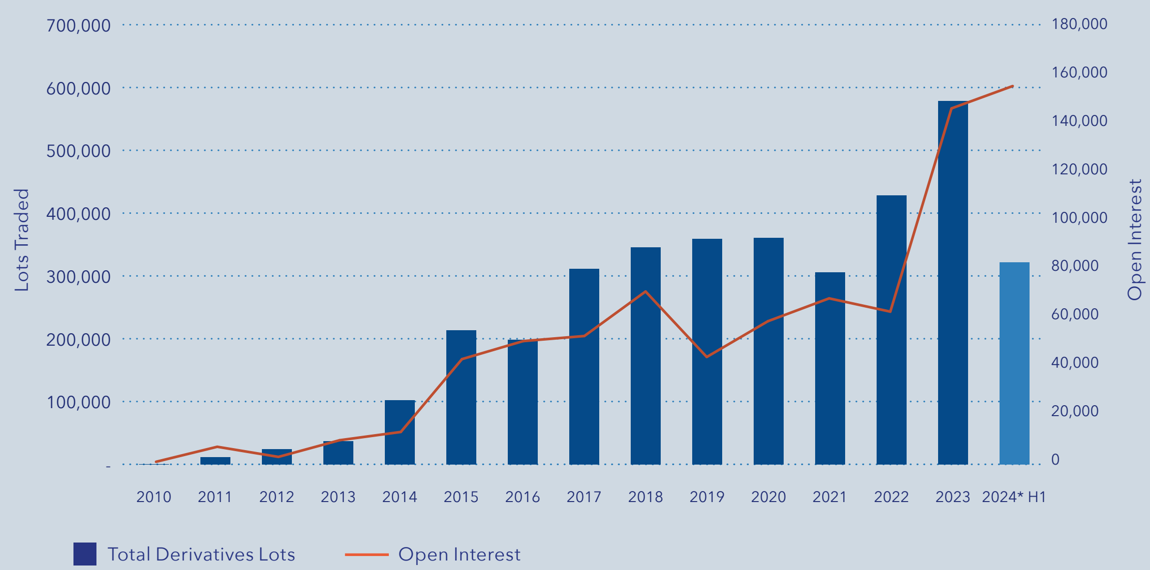
GDT's underlying profitability remains strong with increased sellers and products offered on the GDT platform. GDT's growth initiatives are progressing, European and US sales presences have been established, and an upgrade to the auction platform is about to commence. As previously highlighted these growth initiatives will impact GDT's profitability in the near term.

Information Services

Information Services royalties from terminals revenue relates to the provision of markets data to data resellers who distribute data to their customers. The royalty revenue from terminals decreased by 2.9% driven by the average number of professional terminals decreasing 8.7%, partially offset by price increases (effective January 2024).

Subscriptions and licences revenues relate to the provision of market data to other participants in the capital markets. The subscriptions and licences revenue increase of 2.3% reflects the continued growth in data usage as well as the ability to capture licence revenue streams post audit, resulting in increased higher value licence numbers 16.4%, partially offset by reduced subscriptions 3.3%. There has also been a positive impact from price increases (effective from January 2024).

SGX-NZX DAIRY DERIVATIVES VOLUMES SINCE LAUNCH



Dairy data subscriptions relate to the sale of dairy data and insight products. Dairy data subscription revenue increased 11.4%, reflecting price increases and an increase in higher value product subscriptions.

Audit and back dated licensing / indices revenue increased 10.0% in H1 2024, with the increase driven by one-off back-dated indices revenue.

Indices revenue relates to the revenue generated on index licensing in partnership with S&P. Revenue decreased 22.6% (excluding the back-dated revenue noted above and separately reported).

Capital Markets operating expenses

Personnel costs (net of capitalisation) have decreased, with wage inflation being offset by:

- a lower average number of FTEs compared to H1 2023, largely due to restructuring in several teams;
- reduced energy business contractors in line with reduced levels of consulting and development revenue; and
- higher capitalisation of staff costs for the development of system capabilities for NZX Dark, S&P/NZX20 Index Futures, automation of the depository systems and re-platforming NZX.com.

IT costs relate to licensing and hardware-software maintenance costs for the trading and clearing systems, energy electricity market, energy carbon market, SGX-NZX dairy derivatives market and strategic partnership, and data platforms feeds. IT costs have been impacted by movements in foreign exchange rates and inflation, as well as the infrastructure running costs for the NZX.com website upgrade.

Professional fees relate to the annual assurance programme (including internal audit fees, tax advice, and energy audit obligations under Electricity Authority contract), terminal royalty audit fees, and royalty fees relating to both the energy carbon market and SGX-NZX dairy derivatives market. The reduction primarily results from no terminal royalty audit fees being received in H1 2024.

Other costs include marketing (for example, Capital Markets Origination team's memberships of various industry groups to identify listing pipeline opportunities), audit fees, travel, statutory compliance costs and non-recoverable GST costs.

Capital Markets operating earnings

Capital Markets revenue (from Capital Market Origination, Secondary Markets and Information services) decreased $0.8 million (2.7%), which was partially offset by the Capital Markets expenses reduction of $0.4 million (4.0%). This resulted in Capital Markets operating earnings, excluding restructuring costs, decreasing to $20.5 million, down 2.1% on H1 2023 but up 2.3% on H2 2023.

Members of our Markets Origination team, BNZ and New Zealand Rural Land Company providing market insights at the Mystery Creek, Fieldays.

SMARTSHARES – DRIVING GROWTH & EFFICIENCIES

Smartshares is a key component of NZX's growth strategy. As a wholly-owned NZX subsidiary, Smartshares is New Zealand's leading passive funds management business comprising the SuperLife superannuation and KiwiSaver products, exchange traded funds (ETFs), SuperLife Superannuation Master Trust (acquired from ASB in February 2022) and QuayStreet (acquired from CIP in February 2023).

Under new Smartshares' Chief Executive Anna Scott, the business has been re-focused to deliver more sustainable growth – aligned to NZX's strategic goals – and setting up Smartshares to increasingly extract operational efficiencies.

Smartshares' revised operating model includes transforming business systems to achieve efficiencies across the NZX Group, including moving Smartshares' funds on to the NZXWT funds administration platform.

In April, Smartshares launched two new funds under the QuayStreet brand to meet client demand: the QuayStreet International Equity (NZD Hedged) Fund and the QuayStreet High Growth Fund.

Additionally, Smartshares has been delivering on its partnership agreement with CIP, providing two bespoke Portfolio Investment Entity (PIE) products for their client network. This marks another milestone for Smartshares' investment services and fund manufacturing offerings, which is an expanding area of the market.

QuayStreet Asset Management was recognised as Morningstar's Fund Manager and KiwiSaver Manager at the 2024 Awards.

In March, QuayStreet won the 2024 Morningstar KiwiSaver and Fund Manager of the Year awards and was a finalist for the 2024 INFINZ Diversified Growth Fund Manager of the Year Award. QuayStreet FUM increased 9.2% in H1 2024 to $1.7 billion driven by strongly outperforming returns and organic inflows.

At the end of H1 2024, Smartshares' Funds Under Management (FUM) stood at $11.9 billion. Smartshares' member numbers remain strong, at around 165,000 investors and members in total across all nine schemes.

Funds performance ($ million)	H1-24	H1-23	% Change
FUM based fees	19.5	15.9	23.0%
Member based fees	1.3	1.5	(16.3%)
Other	0.5	0.6	(16.7%)
Funds revenue	**21.3**	**18.0**	**18.4%**
Funds EBITDA excl. acquisition & integration costs	**11.1**	**10.3**	**8.1%**
EBITDA Margin excl. acquisition & integration costs	52.2%	57.1%	(8.7%)
Funds EBITDA	**10.7**	**9.8**	**8.7%**
Key Operating Metrics			
Opening FUM ($ billion)	11.0	8.3	32.9%
FUM effect from market movement ($ billion)	0.7	0.7	(1.7%)
FUM effect from net cash flows ($ billion)	0.2	0.1	70.6%
FUM effect from acquisition ($ billion)	-	1.6	(100.0%)
Closing FUM ($ billion)	11.9	10.7	11.3%
Number of NZX listed Smartshares funds	40	40	0.0%

Funds management revenue is generated from:

- FUM-based revenue which relates to variable FUM fees net of fund expenses. Fund expenses include a combination of fixed costs (principally outsourced fund accounting and administration costs, registry fees and audit fees), and variable costs proportionate to FUM (principally custodian fees, trustee fees, index fees, settlement costs and third-party manager fees);
- Member-based revenue which includes fixed membership administration fees and other member services; and
- Other revenue, including interest income, insurance service fees, and stock lending and borrowing service fees.

FUM-based revenue (net of fund expenses) increased 23.0%. Excluding the impact of the prior year one-off FUM-based revenue (net of fund expenses) the increase was $4.5m / 30.3%, which reflects a combination of:

- FUM at 30 June 2024 of $11.9 billion, up 11.3% on last year. The FUM movement year to date is a combination of positive market returns and positive net cash flows;
- the full period gain from the QuayStreet acquisition; and
- the positive impact from the integration of SuperLife Superannuation Master Trust (August 2023) which resulted in transition services fund costs no longer being incurred (replaced by FTE and other costs, with a net integration synergy gain realised).

Member-based revenue has decreased, reflecting a reduction in insurance admin fees, the administration of which is now performed by the insurance company, and H1 2023 including member-based revenue relating to prior financial years.

Smartshares' cost base has been impacted by both the SuperLife Superannuation Master Trust integration and the timing of the QuayStreet acquisition, with particular effect on personnel costs:

- Additional staff were recruited in H2 2023 to perform SuperLife Superannuation Master Trust investment management, investment administration and registry upon integration into Smartshares existing teams (replacing transition services fund costs with a net synergy gain realised); and
- QuayStreet staff full period impact.

Other costs have been impacted by the above factors, including professional fees (review of AML / CFT processes) and marketing costs.

It was another strong half year for Smartshares with operating earnings, excluding acquisition, integration and restructuring costs, increased to $11.1 million up 8.1% on H1 2023 and up 22.0% on H2 2023.

NZX WEALTH TECHNOLOGIES - POSITIVE OUTLOOK

NZXWT develops, administers and operates an online custodial investment management platform that enables both large-scale and small-scale financial advisor groups to efficiently manage their clients' investments. Our platform, service quality, reputation and experience are being well received by the market.

In H1 2024 we successfully migrated five new clients on to the platform – Fisher Funds, Alvarium/Newton Ross, Private Asset Management, Strategic Financial Planning and CP Wealth.

Wealth Technologies performance ($ million)	H1-24	H1-23	% Change
Wealth Technologies revenue	**4.2**	**3.0**	**39.3%**
Wealth Technologies EBITDA excl. restructure costs	**1.5**	**0.1**	**1497.9%**
EBITDA Margin excl. restructure costs	36.0%	3.1%	1046.9%
Key Operating Metrics			
Opening FUA ($ billion)	11.5	10.0	15.8%
FUA effect from market movement ($ billion)	0.8	0.8	(3.9%)
FUA effect from net cash flows ($ billion)	1.9	0.0	2120.7%
Closing FUA ($ billion)	14.2	10.8	31.4%
Annual recurring revenue (ARR) on closing FUA ($ million)	8.9	6.3	32.7%
Capitalised costs for client onboarding	4.5	3.6	27.1%

NZX Wealth Technologies – has successfully migrated five new clients on to the platform in the first half of 2024.

All of these client migrations were for full-service custody and operations – as opposed to Software as a Service (SaaS). NZXWT now has 25 adviser groups as clients and in the first half of the year we won another two contracts that are yet to onboard. The new business prospect pipeline remains strong with positive potential customer discussions underway.

NZXWT's revenue is generated from administration services provided on its management platform and development fees received from the customisation of the platform or data migration effort specific to client requirements. Administration fees are based on Funds under administration (FUA) and have been positively impacted by positive net cashflows and market returns over the period. Our FUA grew by 23% or $2.7 billion to $14.2 billion. Annualised recurring revenue on closing FUA increased from $7.2 million at December 2023 to $8.9 million at June 2024.

Net personnel costs are lower due to the combination of:

- gross personnel costs – increased as average headcount is temporarily higher to accelerate the migration velocity of additional FUA from a current client; and
- capitalised labour and overhead increased reflecting i) continued product development and client migration activity, and ii) H1 2023 was at lower levels reflecting the non-capitalisable effort required to migrate clients between the legacy platform (closed in H1 2023) and NZXWT's new platform.

We remain confident the growth from the existing contracted transition activity and the new business prospect pipeline should ensure NZXWT gains sufficient annual recurring revenue to meet its objective of being cashflow breakeven in the near term and will deliver on its longer-term target of FUA between $35 and $50 billion. One driver to the timing of being cashflow positive is the pace at which we can transition new business onto the platform. This is in part controlled by customers (for example, working around tax reporting cycles) and the time it takes for their incumbent platform supplier to provide the necessary customer data for transfer to NZXWT.

NZXWT's operating earnings, excluding restructuring costs, increased to $1.5 million up 1,498% on H1 2023 and down 1.8% on H2 2023.

NZXWT's net profit after tax for H1 2024 is $(1.0) million, which improved 56.3% from $(2.3) million in H1 2023 and 20.7% from $(1.3) million in H2 2023.

BALANCE SHEET, LIQUIDITY & DEBT

Balance Sheet and Cashflow Figures ($ million)	H1-24	H1-23	% Change
Net debt (excludes restricted cash)	(48.9)	(48.7)	(0.5%)
Restricted cash	20.0	20.0	-
Goodwill	50.6	50.9	(0.7%)
Other intangible assets	97.9	99.3	(1.4%)
Other non-current assets	44.4	45.5	(2.4%)
Net other liabilities	(39.2)	(48.3)	19.0%
Net assets / equity	**124.8**	**118.7**	**5.1%**
Operating activities cashflow	17.9	16.0	11.9%
Working capital movements	(12.6)	(9.1)	(38.5%)
Cash inflow from operations	**5.3**	**6.9**	(24.5%)
Payments for acquisitions	-	(22.4)	n/a
Payments for PPE & other intangible assets	(8.1)	(5.3)	(52.8%)
Cash outflow from investment	**(8.1)**	**(27.7)**	**70.9%**
Proceeds from equity raise/term loans	-	22.5	n/a
Dividends and other	(9.4)	(9.8)	4.1%
Cash (outflow)/inflow from financing	**(9.4)**	**12.7**	**(173.7%)**
Net decrease in cash and cash equivalents	**(12.2)**	**(8.1)**	**(50.6%)**

NZX closed the half year with net debt of $48.9 million (excluding Clearing House risk capital of $20.0 million in cash which is not available for general use) including:

- subordinated notes ($38.8 million) – the interest rate was set at 6.8% in June 2023 and will apply until the next election date on 20 June 2028;
- term loan ($22.5 million; expiry date 28 February 2025), used to fund the QuayStreet acquisition in February 2023; and
- cash and cash equivalents of $12.5 million which includes:
    - o cash of up to $2.7 million held in the Clearing House to meet the working capital requirements outlined in the Financial Markets Infrastructure Act 2021 and align with International Organisation of Securities Commission principles; and
    - o cash of up to $1.4 million held in Smartshares to maintain sufficient net tangible assets in accordance with its license requirements.

The QuayStreet earnout provision has been reduced by $7.3 million to reflect the likely impact, arising from cumulative net FUM inflows to date, on the earnout payment due in November 2024.

Operating activity cashflow represents the profit for the period (adjusted for non-cash items - for example, depreciation and amortisation, share of profit/loss of associate, share based payments, and the change in fair value of contingent consideration).

Investment activities include:

- the acquisition of QuayStreet Asset Management in February 2023; and
- capital expenditure relating to NZXWT's software development, office fit outs and other technology upgrades and enhancements, including system enhancements required for the integration of recent acquisitions.

Financing activities reflect the payment of dividends (net of participation in the dividend reinvestment plan) and the new term loans to fund the acquisitions in 2023.

NZX'S GROWTH STRATEGY – GROWING, CONNECTING, CREATING VALUE

NZX is well positioned through the growth strategy we have been implementing over the last six years. Since 2018, we have focused energy and investment into developing our core markets business, alongside expanding our financial markets infrastructure through investment in Smartshares and NZXWT. These businesses offer New Zealand's capital markets additional product manufacturing and distribution capabilities, as well as providing operational efficiencies across the Group.

In 2024, NZX is now a more integrated and resilient financial markets infrastructure and services business with a platform for strong growth prospects. We expect this to create further value for our shareholders.

"In 2024, NZX is now a more integrated and resilient financial markets infrastructure and services business with a platform for strong growth prospects."

Congratulations to Kingfish Limited (NZX: KFL) – who celebrated 20-years listed on the NZX earlier this year.

Looking out to 2028 the strategy is:

- expand our product offering in Capital Markets (mid-point orders, equity derivatives, carbon markets, drive greater scale in clearing);
- enhance our global connections and market reach; and
- drive scale, efficiency and operating leverage across the businesses – including Smartshares and NZXWT.

While remaining conscious of cost control and ensuring we deliver an appropriate return on investment, we continue to look for strategic opportunities that will add value, particularly when markets recover.

In June 2024 we went live with NZX Dark - New Zealand's first mid-point anonymous orderbook. It provides Trading Participants and their clients an alternative to existing trading venues. It is an addition to NZX Central (the central limit orderbook) and off-market trade reporting. A midpoint orderbook is often referred to as a "dark" market as there is no visible (to investors) market depth. NZX Dark executes trades at the mid-point of NZX Central's best bid and best offer, meaning both buyers and sellers have access to price improvement.

In its first three weeks to the end of June 2024, NZX Dark executed $9.4 million in value traded, with more than $33,000 of price improvement value provided to investors across 1,689 trades.

Increasing liquidity is crucial to ensuring the ongoing strength of New Zealand's capital markets. NZX Dark is a significant step forward for our trading capability and deepening our market's liquidity pool. It is something we believe will continue to grow over time, similar to the execution of dark markets globally.

NZX remains committed to delivering the S&P/ NZX20 Index Futures product for New Zealand investors. We have the backing of a cornerstone group of 12 local and global fund managers and participant firms who have provided commitments to utilise and trade, settle and clear the product. Equity derivatives will help drive market pricing efficiency along with growth in capital markets trading activity, also resulting in additional cash market trading, participation and data revenue for NZX.

NZX's intention is to work towards a relaunch of the S&P/ NZX20 Index Futures late this year or early 2025. Launch timing will be dependent on:

- outcomes of rules consultation and regulatory approval of rule amendments;
- onboarding of market maker, market participants and technology vendors;
- all NZX readiness milestones being achieved; and,
- proximity to the end of the Calendar Year as most technology systems have a mandatory downtime period from upgrades over the Christmas/New Year break.

Smartshares – announced its new alliance with the New Zealand Cricket Player's Association (NZCPA) to provide financial education and support to help future aspirations of NZCPA members.

The dairy derivatives partnership with SGX Group is continuing to make excellent progress, with new traders entering the market, which will further grow liquidity.

Smartshares has strong growth options due to positive cashflows, market returns, structural growth in KiwiSaver and the ongoing efficiency benefits of integrating the SuperLife Superannuation Master Trust and QuayStreet operations. There are sizeable efficiencies expected in coming years by streamlining, aligning and automating systems and processes. Activity for brand refinement is underway and we expect to roll this out in H2 2024.

NZXWT has a strong pipeline of activity planned onboarding existing and new clients' FUA. The objective is to be cashflow positive by the end of 2024 (noting the pace at which we can transition new business onto the platform is largely determined by the timetables of customers and their existing administration suppliers).

FY 2024 GUIDANCE OUTLOOK

NZX's full year 2024 Operating Earnings (EBITDA), excluding acquisition, integration and restructure costs, are expected to be in the range of $40 million to $44.5 million. The half-year financial result indicates NZX is tracking towards the upper end of the 2024 full-year guidance range.

This guidance assumes there are no material adverse macro-economic and/or market condition impacts on our assumed market outcomes, and there are no significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

BOARD & MANAGEMENT CHANGES

In May the NZX Board welcomed Sophie Spedding as our next Future Director. Sophie is an Associate Director at Macquarie Capital (New Zealand) in the Investment Banking team where she has worked for the last 12 years. In this position, Sophie has gained experience across mergers and acquisitions, advisory and equity capital markets. Her expertise spans the healthcare, agriculture, education, aged care, energy and technology sectors. We look forward to her observations, insights and expertise around the Board table.

In June, our Capital Markets management team was restructured, following the resignation of Sarah Minhinnick, the General Manager Capital Markets Origination. Under the new structure, Jeremy Anderson is leading the Listings, Information Services and Environmental Markets businesses, and Nick Morris is overseeing the Cash and Derivatives businesses. This demonstrates the depth of senior leadership talent in the NZX team and provides a strong development opportunity for existing senior leadership team members.

ANNUAL MARKET OBLIGATIONS REVIEW & TECHNOLOGY

NZX continues to invest in technology and systems to ensure we continue to maintain our operational stability, capability, capacity and security for the markets we are responsible for running.

The findings of the Financial Market Authority's (FMA) Market Operator Obligations review, released in June 2024, was pleasing. The FMA found NZX had complied with its market operator obligations.

The FMA noted NZX's governance arrangements continue to be appropriate, the continued uplift in frameworks, processes and operational effectiveness in relation to NZX's market functions, and the significant work and investment in technology resources over the last three years resulting in the business being much better positioned with respect to capability, resilience and security.

It also noted NZ RegCo was continuing to demonstrate operational independence, while maintaining an appropriate and effective working relationship with NZX.

GOVERNMENT ENGAGEMENT – IMPROVING SETTINGS & OPPORTUNITIES

NZX, along with a range of ecosystem partners in the New Zealand capital markets community, has been engaging with Ministers and government officials using the Growing New Zealand's Capital Markets 2029[1] report as our basis for discussions.

We highlighted how public markets can help reach the broadest range of investors, efficiently price capital, ease the pressure on the Government balance sheet and help fund the infrastructure required to assist in improving New Zealand's productivity.

We view policy reform as enabling settings to establish a capital markets environment that is internationally competitive and encourages investment. Signals from the New Zealand government have been positive. Commerce Minister Andrew Bayly has said that later in 2024 he will be exploring changes to capital market settings to help New Zealand businesses and investors thrive.

Work underway includes:

- the FMA consulting on the settings that require prospective financial information to be included in a first regulated offer; and
- the FMA consulting on a class exemption for same class offers of green and sustainability-linked bonds.

Recycling capital is an opportunity for New Zealand. The Government and local governments can redeploy capital out of existing assets into higher priority needs such as schools, hospitals, community facilities and infrastructure. Partially listing ports, airports and electricity lines companies, for example, would be highly attractive opportunities for capital market investors.

Allowing the gentailers (Mercury, Meridian and Genesis) to raise further equity without Crown participation would assist in achieving the goals related to the electrification of the New Zealand economy. Furthermore, when the time is right, consideration of allowing external capital to fund the growth of Kiwibank to increase its lending to New Zealand households and businesses may help meet New Zealand's broader economic objectives.

1 Growing-New-Zealands-Capital-Markets-2029.pdf (fma.govt.nz)

New Zealand saw the success of this with the mixed ownership model floats and with the listing of Napier Port.

Utilising KiwiSaver should be an option for funding of New Zealand infrastructure. KiwiSaver funds could invest in a range of productive assets which would see Kiwis receive a steady flow of returns into their KiwiSaver accounts. New Zealand would benefit not only from the assets being delivered, but through jobs and broader economic growth. It's about creating the right capital market settings for New Zealanders to invest in growing New Zealand.

In addition, NZX holds the view that the requirement to report under the New Zealand mandatory Climate Reporting Disclosures (CRD) should align with the proposed CRD reforms in Australia, that will apply to both listed and unlisted companies. The narrower application of the New Zealand CRD framework which only applies to listed issuers, banks and insurance organisations creates an uneven playing field between listed and unlisted companies, a regulatory arbitrage between New Zealand and international markets, and acts as a significant barrier to listing and broader capital formation that drives growth.

OPERATING RESPONSIBLY

NZX's focus is to create value while delivering a positive impact on society and the environment.

We play a dual role as both the operator of New Zealand's capital markets and as a listed company. Sustainable economic growth is a priority for NZX. Public markets can play an essential role in facilitating the flow of capital towards decarbonising the New Zealand economy.

As a business, NZX is committed to taking action on climate change. For the last three years NZX has achieved net carbon zero certification from Toitū Envirocare. In 2023 NZX confirmed its 2025 emissions reduction target (-21%) and implementation plans will be advanced in 2024 for future reduction targets. NZX is also a signatory of the United Nations Sustainable Stock Exchanges (SSE Initiative).

Earlier this year, under the New Zealand mandatory CRD framework, NZX as a Climate-Reporting Entity, reported in accordance with our climate change reporting obligations regarding governance, strategy, risk management, and metrics and targets. Our 2023 Climate Statement was attached to our 2023 annual report. Our focus in 2024 is to expand on this work, including reporting our Scope 3 inventory. We are also updating our sustainability strategic approach this year, building on the materiality assessment undertaken with key stakeholders in 2023.

Robust governance in our markets, delivered through the NZX Corporate Governance Code and the NZX Corporate Governance Institute is paramount to the role that NZX plays in overseeing the integrity of New Zealand's public markets.

We continue to have a strong focus on advancing our position on diversity; inclusion in the NZX workforce remains essential to our business success and to better reflect the customers, businesses and country we serve.

NZX is focused on attracting more female managers, executives and governors and providing them with leadership development. NZX provides our employees a paid day's leave each year to volunteer in our communities and we are supportive of events that help those in need, including primary sponsorship of the New Zealand Financial Markets Charity Golf Classic (supporting the Little Miracles Trust) and collaborating in the Shares for Good programme.

ACKNOWLEDGEMENTS

In reporting our interim results for the six months ended 30 June 2024, we are tremendously proud of how our team at NZX demonstrates our organisational Purpose and commitment to connecting people, businesses and capital. At NZX we are people helping the people in business and investing get ahead through the services, products and market infrastructure we provide. In challenging times for capital markets, that support and effort to deliver every day for our customers, stakeholders and investors is truly appreciated.

John McMahon
BOARD CHAIR

Mark Peterson
CHIEF EXECUTIVE


Putting energy where it matters - congrats to
Contact Energy for 25 years listed on the NZX!

Financial Statements

Group Income Statement

For the six months ended 30 June 2024

	Note	Unaudited 6 months ended 30 June 2024 $000	Unaudited 6 months ended 30 June 2023 $000	Audited 12 months ended 31 Dec 2023 $000
Total operating revenue	5	57,882	53,959	108,387
Total operating expenses	6	(35,438)	(33,918)	(69,493)
Earnings before net finance expenses, income tax, depreciation, amortisation, gain on lease modification, loss on disposal of assets, change in fair value of contingent consideration and share of (loss)/ profit of associate (EBITDA)[1]	2	**22,444**	**20,041**	**38,894**
Net finance expenses	7	(1,833)	(1,648)	(3,432)
Depreciation and amortisation expense		(8,867)	(8,335)	(16,764)
Loss on disposal of assets		-	-	(8)
Gain on lease modification		-	15	15
Change in fair value of contingent consideration	8	7,288	(225)	(530)
Share of (loss)/profit of associate		(183)	392	1,031
Profit before income tax		**18,849**	**10,240**	**19,206**
Income tax expense		(3,578)	(3,267)	(5,652)
Profit for the period		**15,271**	**6,973**	**13,554**
Earnings per share				
Basic (cents per share)		4.7	2.2	4.2
Diluted (cents per share)		4.6	2.1	4.2

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Group Statement of Other Comprehensive Income

For the six months ended 30 June 2024

	Unaudited 6 months ended 30 June 2024 $000	Unaudited 6 months ended 30 June 2023 $000	Audited 12 months ended 31 Dec 2023 $000
Profit for the period	15,271	6,973	13,554
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences	188	-	(172)
Items that will not be reclassified subsequently to profit or loss			
Total other comprehensive income	188	-	(172)
Total other comprehensive income for the period	**15,459**	**6,973**	**13,382**

The accompanying notes form an integral part of these financial statements

Group Statement of Changes in Equity

For the six months ended 30 June 2024

	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Audited balance at 1 January 2023		**108,470**	**3,284**	**(46)**	**111,708**
Profit for the period		-	6,973	-	6,973
Total comprehensive income for the period		**-**	**6,973**	**-**	**6,973**
Transactions with owners recorded directly in equity:					
Dividends paid	12	-	(9,756)	-	(9,756)
Issue of shares		9,159	-	-	9,159
Share based payments		611	-	-	611
Cancellation of non-vesting shares		(50)	50	-	-
Total transactions with owners recorded directly in equity		**9,720**	**(9,706)**	**-**	**14**
Unaudited closing balance at 30 June 2023		**118,190**	**551**	**(46)**	**118,695**
Profit for the period		-	6,581	-	6,581
Foreign currency translation differences		-	-	(172)	(172)
Total comprehensive income for the period		**-**	**6,581**	**(172)**	**6,409**
Transactions with owners recorded directly in equity:					
Dividends paid	12	-	(9,685)	-	(9,685)
Issue of shares		1,425	-	-	1,425
Share based payments		527	-	-	527
Cancellation of non-vesting shares		(8)	8	-	-
Total transactions with owners recorded directly in equity		**1,944**	**(9,677)**	**-**	**(7,733)**
Audited closing balance at 31 December 2023		**120,134**	**(2,545)**	**(218)**	**117,371**
Profit for the period		-	15,271	-	15,271
Foreign currency translation differences		-	-	188	188
Total comprehensive income for the period		**-**	**15,271**	**188**	**15,459**
Transactions with owners recorded directly in equity:					
Dividends paid	12	-	(10,050)	-	(10,050)
Issue of shares		1,376	-	-	1,376
Share based payments		646	-	-	646
Cancellation of non-vesting shares		(514)	514	-	-
Total transactions with owners recorded directly in equity		**1,508**	**(9,536)**	**-**	**(8,028)**
Unaudited closing balance at 30 June 2024		**121,642**	**3,190**	**(30)**	**124,802**

Group Statement of Financial Position

As at 30 June 2024

	Note	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 Dec 2023 $000
Current assets				
Cash and cash equivalents		12,469	12,508	24,670
Cash and cash equivalents - restricted	9	20,000	20,000	20,000
Funds held on behalf of third parties		23,150	26,281	21,702
Receivables and prepayments		32,798	32,691	15,874
Total current assets		**88,417**	**91,480**	**82,246**
Non-current assets				
Property, plant & equipment		10,227	10,027	9,446
Right-of-use lease assets		16,494	18,266	17,380
Goodwill	3	50,587	50,927	50,587
Other intangible assets		97,942	99,348	99,169
Investment in associate		17,647	17,174	17,642
Total non-current assets		**192,897**	**195,742**	**194,224**
Total assets		**281,314**	**287,222**	**276,470**
Current liabilities				
Funds held on behalf of third parties		23,150	26,281	21,702
Trade payables		9,418	9,520	7,604
Other liabilities - current		26,721	30,478	30,841
Lease liabilities		1,304	666	1,291
Current tax liability		988	485	1,912
Interest bearing liabilities - current	10	22,500	-	-
Total current liabilities		**84,081**	**67,430**	**63,350**

The accompanying notes form an integral part of these financial statements

Group Statement of Financial Position (continued)

As at 30 June 2024

	Note	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 Dec 2023 $000
Non-current liabilities				
Non-current other liabilities		3,425	7,930	3,327
Lease liabilities		19,124	20,345	19,770
Interest bearing liabilities	10	38,847	61,164	61,256
Deferred tax liability		11,035	11,658	11,396
Total non-current liabilities		**72,431**	**101,097**	**95,749**
Total liabilities		**156,512**	**168,527**	**159,099**
Net assets		**124,802**	**118,695**	**117,371**
Equity				
Share capital	11	121,642	118,190	120,134
Retained earnings		3,190	551	(2,545)
Translation reserve		(30)	(46)	(218)
Total equity attributable to shareholders		**124,802**	**118,695**	**117,371**
Net tangible assets per share (cents per share)		(13.78)	(16.24)	(15.55)

Approved on behalf of the Board of Directors for issue on 22 August 2024.

John McMahon
Chair of the Board

Lindsay Wright
Chair of the Audit and
Risk Committee

Group Statement of Cash Flows

For the six months ended 30 June 2024

	Note	Unaudited 6 months ended 30 June 2024 $000	Unaudited 6 months ended 30 June 2023 $000	Audited 12 months ended 31 Dec 2023 $000
Cash flows from operating activities				
Receipts from customers		48,800	47,020	110,990
Net interest paid		(1,783)	(1,278)	(2,920)
Payments to suppliers and employees		(36,923)	(35,038)	(67,687)
Income tax paid		(4,863)	(3,774)	(5,944)
Net cash provided by operating activities		**5,231**	**6,930**	**34,439**
Cash flows from investing activities				
Payments for property, plant and equipment		(2,290)	(439)	(991)
Payments for intangible assets		(5,783)	(4,856)	(11,404)
Payments for acquisition		-	(22,438)	(22,438)
Advances to related party		-	-	(100)
Net cash used in investing activities		**(8,073)**	**(27,733)**	**(34,933)**
Cash flows from financing activities				
Net proceeds from term loans	10	-	22,500	22,500
Payments of lease liabilities		(633)	(608)	(558)
Transaction costs relating to subordinated notes		-	(648)	(648)
Dividends paid		(8,726)	(8,544)	(16,741)
Net cash (used in)/provided by financing activities		**(9,359)**	**12,700**	**4,553**
Net (decrease)/increase in cash and cash equivalents		(12,201)	(8,103)	4,059
Cash and cash equivalents at the beginning of the period		44,670	40,611	40,611
Cash and cash equivalents at the end of the period		**32,469**	**32,508**	**44,670**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the six months ended 30 June 2024

1. Reporting entity and statutory base

Reporting entity

These interim financial statements presented are for NZX Limited (the Company) and its subsidiaries (together referred to as the Group) as at and for the six months ended 30 June 2024.

The Group operates New Zealand securities, derivatives and energy markets, including maintaining the infrastructure on which they operate. It provides funds management services including KiwiSaver, superannuation and Exchange Traded Funds (ETFs), as well as developing and operating wealth management platforms for other providers. It also provides a range of information and data to support market growth and development in the securities and dairy sectors.

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). The Company is listed and its ordinary shares are quoted on the NZX Main Board. The Company also has listed debt which is quoted on the NZX debt market.

Basis of preparation

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the requirements of the FMCA and NZX Listing Rules. The interim financial statements comply with the New Zealand equivalents to International Accounting Standards NZ IAS 34 and IAS 34 Interim Financial Reporting.

These interim financial statements do not disclose all the information required for annual financial statements prepared in accordance with NZ IFRS. Consequently, the interim financial statements should be read in conjunction with the financial statements and related notes included in the Annual Report for the year ended 31 December 2023.

Accounting policies

These interim financial statements have consistently applied the accounting policies set out in the Group's Annual Report for the year ended 31 December 2023.

Accounting estimates and judgements

The principal areas of judgement for the Group, in preparing these financial statements, including information about assumptions and estimated uncertainties that have a significant risk of resulting a material adjustment within the next financial year, have not changed from those used in preparing the annual financial statements for the year ended 31 December 2023.

Functional and presentation currency

These interim financial statements are presented in New Zealand dollars ($), which is the Group's functional currency, and are rounded to the nearest thousand dollars unless otherwise indicated.

Presentational changes

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

2. Non-GAAP measures

EBITDA is a non-GAAP performance measure and differs from the NZ IFRS profit for the period. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of EBITDA to NZ IFRS profit for the period:

	Unaudited 6 months ended 30 June 2024 $000	Unaudited 6 months ended 30 June 2023 $000	Audited 12 months ended 31 Dec 2023 $000
Profit for the period	**15,271**	**6,973**	**13,554**
Income tax expense	3,578	3,267	5,652
Profit before income tax	**18,849**	**10,240**	**19,206**
Adjustments for:			
- Net finance expenses	1,833	1,648	3,432
- Gain on lease modification	-	(15)	(15)
- Depreciation and amortisation expense	8,867	8,335	16,764
- Loss on disposal of assets	-	-	8
- Change in fair value of contingent consideration	(7,288)	225	530
- Share of loss/(profit) of associate	183	(392)	(1,031)
EBITDA	**22,444**	**20,041**	**38,894**

The Group has presented the EBITDA performance measure in addition to NZ IFRS profit for the period as this performance measure is used internally, in conjunction with other measures, to monitor performance and make investment decisions. EBITDA is calculated by adjusting profit from operations to exclude the impact of taxation, net finance expense, depreciation, amortisation, gain on lease modification, loss on disposal of assets, change in fair value of contingent consideration and share of profit/loss of associate.

3. Goodwill and other intangible assets

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 Dec 2023 $000
Carrying amount			
Balance at beginning of the period	50,587	30,222	30,222
Acquired on acquisition of QuayStreet Asset Management	-	20,705	20,365
Balance at end of the period	**50,587**	**50,927**	**50,587**

The Group performs a full impairment assessment of its goodwill and indefinite life intangible assets annually. The last full impairment assessment was performed at 31 December 2023, and no impairment was required as a result.

The Group has reviewed the indicators of impairment for the six month period to 30 June 2024, and no indicators of impairment were noted (none at 30 June 2023). The next full impairment assessment will be performed and included in the Group's year end financial statements as at 31 December 2024.

4. Segment reporting

The Group has five revenue generating segments, as described below, which are the Group’s strategic business areas, and a corporate services segment which has limited revenue but includes all costs that are shared across the organisation.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group CEO. The CODM assesses performance of the combined Markets business (i.e. the Capital Markets Origination, Secondary Markets and Information Services revenue generating segments) as a single segment, being an integrated business that supports the growth of New Zealand capital markets. The performance of the Funds Management, Wealth Technologies and Corporate businesses are assessed separately.

Additionally, NZX Regulation Limited (NZ RegCo) is a stand-alone, independently-governed agency which performs all of NZX's front line regulatory functions. NZ RegCo is structurally separate from the Group's commercial operations and consequently the CODM for the Regulation business is the NZ RegCo CEO.

The reportable commercial operations segments are:

- Markets
  - Capital Market Origination - provider of issuer services for current and prospective customers;
  - Secondary Markets - provider of trading and post-trade services for securities and derivatives markets operated by NZX, provider of a central securities depository and market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment;
  - Information Services - provider of information services for the securities and derivatives markets, and analytics for the dairy sector;

- Funds Management - manager of funds, including superannuation funds, KiwiSaver funds and exchange traded funds; and
- Wealth Technologies - funds administration provider and custodian.

The Group’s revenue is allocated into each of the reportable segments (including an internal allocation of annual listing fees and annual participant fees to NZ RegCo). Expenses incurred are allocated to the segments only if they are direct and specific expenses to one of the segments. The remaining expenses that relate to activities shared across the group are reported in the Corporate segment.

The Group's assets and liabilities are allocated into each of the revenue generating segments, apart from those assets and liabilities that are utilised on a shared basis, which are allocated to the Corporate segment.

Segmental information for the six months ended 30 June 2024

Unaudited	Capital Markets Origination $000	Secondary Markets $000	Information Services $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	7,883	12,196	10,216	30,295	21,287	4,216	63	**55,861**	2,021	**57,882**
Operating expenses				(9,867)	(10,609)	(2,698)	(10,294)	**(33,468)**	(1,970)	**(35,438)**
Operating earnings (EBITDA)[1]				**20,428**	**10,678**	**1,518**	**(10,231)**	**22,393**	**51**	**22,444**
Segment assets				102,428	118,951	27,563	32,118	**281,060**	254	**281,314**
Segment liabilities				(43,491)	(47,587)	(2,198)	(63,729)	**(157,005)**	493	**(156,512)**
Net assets				**58,937**	**71,364**	**25,365**	**(31,611)**	**124,055**	**747**	**124,802**

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Segmental information for the six months ended 30 June 2023

Unaudited	Capital Markets Origination $000	Secondary Markets $000	Information Services $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	8,191	12,569	10,373	31,133	17,977	3,026	51	**52,187**	1,772	**53,959**
Operating expenses				(10,267)	(8,156)	(2,963)	(10,521)	**(31,907)**	(2,011)	**(33,918)**
Operating earnings (EBITDA)[1]				**20,866**	**9,821**	**63**	**(10,470)**	**20,280**	**(239)**	**20,041**
Segment assets				104,633	122,920	25,017	34,384	**286,954**	268	**287,222**
Segment liabilities				(46,020)	(56,607)	(2,170)	(64,173)	**(168,970)**	443	**(168,527)**
Net assets				**58,613**	**66,313**	**22,847**	**(29,789)**	**117,984**	**711**	**118,695**

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Segmental information for the twelve months ended 31 December 2023

Audited	Capital Markets Origination $000	Secondary Markets $000	Information Services $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	16,045	25,127	19,723	60,895	36,957	6,816	83	**104,751**	3,636	**108,387**
Operating expenses				(20,017)	(18,667)	(5,207)	(21,544)	**(65,435)**	(4,058)	**(69,493)**
Operating earnings (EBITDA)[1]				**40,878**	**18,290**	**1,609**	**(21,461)**	**39,316**	**(422)**	**38,894**
Segment assets				86,596	123,879	25,634	39,956	**276,065**	405	**276,470**
Segment liabilities				(35,533)	(56,235)	(1,985)	(65,963)	**(159,716)**	617	**(159,099)**
Net assets				**51,063**	**67,644**	**23,649**	**(26,007)**	**116,349**	**1,022**	**117,371**

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

5. Operating revenue

	Unaudited 6 months ended 30 June 2024 $000	Unaudited 6 months ended 30 June 2023 $000	Audited 12 months ended 31 Dec 2023 $000
Listing and issuance fees	7,883	8,191	16,045
Total Capital Markets Origination revenue	**7,883**	**8,191**	**16,045**
Participant services	262	281	540
Securities trading	1,826	2,006	3,696
Securities clearing	3,267	3,237	6,324
Dairy derivatives	1,399	1,569	3,551
Market operations	5,442	5,476	11,016
Total Secondary Markets revenue	**12,196**	**12,569**	**25,127**
Securities information	8,507	8,652	16,269
Dairy data subscriptions	313	281	598
Connectivity revenue	1,396	1,440	2,856
Total Information Services revenue	**10,216**	**10,373**	**19,723**
Funds Management revenue	**21,287**	**17,977**	**36,957**
Wealth Technologies revenue	**4,216**	**3,026**	**6,816**
Regulation revenue	**2,021**	**1,772**	**3,636**
Other Corporate revenue	**63**	**51**	**83**
Total operating revenue	**57,882**	**53,959**	**108,387**

6. Operating expenses

	Unaudited 6 months ended 30 June 2024 $000	Unaudited 6 months ended 30 June 2023 $000	Audited 12 months ended 31 Dec 2023 $000
Gross personnel costs	(27,066)	(24,528)	(49,641)
Less capitalised labour	3,985	2,891	6,374
Net personnel costs	(23,081)	(21,637)	(43,267)
Information technology	(7,309)	(6,909)	(13,768)
Professional fees	(1,770)	(1,721)	(3,737)
Marketing	(476)	(387)	(1,673)
Other operating expenses	(3,145)	(3,462)	(7,372)
Capitalised overheads	823	722	1,539
Acquisition, integration and restructure costs	(480)	(524)	(1,215)
Total operating expenses	**(35,438)**	**(33,918)**	**(69,493)**

7. Net finance expenses

	Unaudited 6 months ended 30 June 2024 $000	Unaudited 6 months ended 30 June 2023 $000	Audited 12 months ended 31 Dec 2023 $000
Interest income	1,078	887	2,189
Interest on lease liabilities	(470)	(482)	(972)
Other interest expense	(2,366)	(1,797)	(4,275)
Amortised borrowing costs	(104)	(286)	(389)
Net gain on foreign exchange	29	30	15
Net finance expense	**(1,833)**	**(1,648)**	**(3,432)**

8. Change in fair value of contingent consideration

Potential earnout consideration of up to $18.750 million is payable based on net FUM inflows from the Craigs Investment Partners Group (CIP Group) into Smartshares' products over a three-year period. The terms of the earnout payment are detailed in the Group's Annual Report for the year ended 31 December 2023.

The provision for the QuayStreet earnout recognised at acquisition reflected management's expectation of the probability of achieving the earnout targets at that time, discounted to present value. As a result of reassessing these probabilities based on post acquisition qualifying net FUM inflows as at 30 June 2024, and an unwind of the present value discount, the provision has been adjusted downwards by $7.288 million.

At 30 June 2024, the provision for contingent consideration is $6.775 million (30 June 2023: $14.099 million, 31 December 2023: $14.064 million), split between current liabilities of $3.350 million (30 June 2023: $6.169 million, 31 December 2023: $10.737 million) and non-current liabilities of $3.425 million (30 June 2023: $7.930 million, 31 December 2023: $3.327 million).

9. Cash and cash equivalents

Restricted cash and cash equivalents relates to balances held for risk capital requirements by the Clearing House and is not available for general cash management use by the Group. In addition, cash and cash equivalents includes amounts of up to $4.1 million at 30 June 2024 (30 June 2023: up to $3.9 million; 31 December 2023: up to $4.7 million) that are held by subsidiaries to comply with regulatory requirements and are not available for general use by other entities within the Group.

10. Interest bearing liabilities

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 Dec 2023 $000
Term loans	22,500	22,500	22,500
Subordinated notes	40,000	40,000	40,000
Total drawn debt	**62,500**	**62,500**	**62,500**
Capitalised borrowing costs (net of amortisation)	(1,153)	(1,336)	(1,244)
Net interest bearing liabilities	**61,347**	**61,164**	**61,256**

a. *Subordinated notes*

The subordinated notes are quoted on the NZX debt market. The terms of the subordinated notes are unchanged and are set out in the Group's Annual Report for the year ended 31 December 2023 and include a financial covenant that has been met throughout the period.

The subordinated notes are measured at amortised cost using the effective interest method, as required by NZ IFRS 9.

b. *Bank overdraft, revolving credit and term loan facilities*

The Group has access to an overdraft facility with a limit of $3.0 million as at 30 June 2024 (30 June 2023: $3.0 million, 31 December 2023: $3.0 million). The effective interest rate of the facility at 30 June 2024 was 8.58% (30 June 2023: 7.77%, 31 December 2023: 8.18%).

The Group also has a revolving credit facility with a limit of $7.0 million as at 30 June 2024 (30 June 2023: $7.0 million, 31 December 2023: $7.0 million). No amount was drawn down under either of these facilities at 30 June 2024 (none at 30 June 2023 and 31 December 2023).

The Group term loan facility was utilised during 2023 to fund the acquisition of the management rights and associated assets of QuayStreet Asset Management. The facility limit is $27.5 million (30 June 2023: $27.5 million; 31 December 2023: $27.5 million), with $22.5 million drawn down at 30 June 2024 (30 June 2023: $22.5 million; 31 December 2023: $22.5 million). The effective interest rate of the facility at 30 June 2024 was 7.95% (30 June 2023: 7.58%, 31 December 2023: 7.80%).

At 30 June 2024 the Group term loan facility was classified within current liabilities reflecting the current facility expiry date of 28 February 2025 (extendable by mutual agreement). The Group is confident that the facility will be extended.

The terms of these facilities are set out in the Group's Annual Report for the year ended 31 December 2023. The facilities are unsecured and contain financial covenants which have been met throughout the period.

11. Shares on issue

The Company had 325,834,038 fully paid ordinary shares as at 30 June 2024 (30 June 2023: 322,849,628, 31 December 2023: 324,205,366). The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings.

The Dividend Reinvestment Plan applied to dividends during the period (2023: applied to all dividends) resulting in the issue of 1,315,337 shares (30 June 2023: 1,009,127; 31 December 2023: 2,364,865).

Additionally 313,335 shares (30 June 2023: 562,072; 31 December 2023: 562,072) were issued as share based payments (note 13).

12. Dividends

		Unaudited 6 months ended 30 June 2024		Unaudited 6 months ended 30 June 2023		Audited 12 months ended 31 Dec 2023	
	For year ended	Cents per share	Total $000	Cents per share	Total $000	Cents per share	Total $000
Dividends declared and paid							
March 2023 - Final	31 Dec 22			3.1	9,756	3.1	9,756
October 2023 - Interim	31 Dec 23					3.0	9,685
March 2024 - Final	31 Dec 23	3.1	10,050				
Total dividends paid during the period		**3.1**	**10,050**	**3.1**	**9,756**	**6.1**	**19,441**

Refer to note 16 for details of the 2024 interim dividend.

13. Share based payments

a. *CEO Long Term Incentive Plan - 2021*

The terms of the CEO Long Term Incentive Plan - 2021 are as detailed in the Group's Annual Report for the year ended 31 December 2023.

During the period the Group assessed the CEO share scheme on vesting. The TSR growth per annum over the vesting period was (13.54%) which was below the lower TSR hurdle of 7.40% per annum. As the Performance Target had not been met, the 550,449 performance rights issued under the Scheme were redeemed.

The Group reclassified within Equity the $385,000 fair value of the shares during the period.

b. *CEO Long Term Incentive Bonus Scheme*

The CEO Long Term Incentive Bonus Scheme was agreed during the period. Under the Scheme the CEO is entitled to discretionary amount of up to $300,000 per financial performance year (service period), subject to key performance hurdles detailed below, with the proceeds after tax used to purchase NZX shares (on market). The acquired shares will be held in escrow with 50% vested on the first anniversary of the payment being confirmed, and the remaining 50% vested on the second anniversary of the payment being confirmed.

For the 2024 financial year the key performance hurdles are TSR growth over the year of at least 9.39% resulting in 50% of the performance rights being vested, with 100% being vested at 13.39% TSR growth (and 50.1% to 99.9% being vested on a linear, pro-rata basis), subject to Board discretion.

The cost of the Scheme is accrued through personnel costs, with a corresponding increase in equity and reflects the extent to which the service period has expired.

c. *NZX Employee Long Term Incentive Plan*

Rights that were issued or redeemed under the NZX Employee Long Term Incentive Plan during the period were on terms consistent with the prior period and as set out in the Group's Annual Report for the year ended 31 December 2023.

d. *NZX Employee shares*

During the period $1,000 worth of NZX ordinary shares (gross) were issued to new employees to encourage staff engagement and shareholder alignment.

14. Related party transactions

a. *Transactions with key management personnel*

Key management personnel comprises the Group's senior management team. Key management personnel compensation comprised the following:

	Unaudited 6 months ended 30 June 2024 $000	Unaudited 6 months ended 30 June 2023 $000	Audited 12 months ended 31 Dec 2023 $000
Short-term employee benefits	3,025	2,962	5,930
Share-based payments	357	282	468
	3,382	**3,244**	**6,398**

b. *Transactions with directors and other entities NZX directors are associated with*

The Company regularly enters into transactions under normal commercial terms and conditions with other entities that some of the directors may sit on the board of, or are employed by.

Directors fees for the six month period to 30 June 2024 were $260,000 (30 June 2023: $249,516, 31 December 2023: $509,452). Directors fees have been included in other expenses.

In addition fees paid to independent directors of Group subsidiary boards were $174,496 (30 June 2023: $158,496, 31 December 2023: $333,000)

Two directors on the GDT board are representatives of NZX Limited and no directors' fees are paid by GDT to those directors.

c. *Transactions with managed funds*

Management and other fees are received from the funds managed by wholly owned subsidiary Smartshares Limited and are included in the Income Statement as funds management revenue (refer to note 5).

	Transaction values for the period			Balance outstanding as at balance date		
	Unaudited 6 months ended 30 June 2024 $000	Unaudited 6 months ended 30 June 2023 $000	Audited 12 months ended 31 December 2023 $000	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 December 2023 $000
Services to/amounts owed from Managed Funds	17,436	15,019	30,884	4,558	4,916	4,422
Services from/amounts owed to Managed Funds	-	-	-	(1,741)	(1,818)	(1,618)

d. *Transactions with associate*

The Group holds a 33.33% stake in GlobalDairyTrade Holding Limited (GDT). Transactions entered into with GDT are under normal commercial terms and conditions.

e. *General*

All outstanding balances with related parties are priced and are to be settled in cash subsequent to the reporting date. None of the balance is secured. No expense has been recognised in the current period or prior periods for bad or doubtful debts in respect of amounts owed by related parties.

15. Contingent liabilities

In New Zealand there has been increased regulatory focus on market participant compliance for entities such as the Group. Accordingly, there has been an increase in the number of matters on which the Group engages with its regulators including matters such as financial market conduct, reporting and disclosure obligations, tax treatments, and product disclosure documentation. In the normal course of business the Group may be subject to actual or possible claims and court proceedings. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate are made.

There were no contingent liabilities as at 30 June 2024 (30 June 2023: none; 31 December 2023: none).

16. Subsequent events

Dividend

Subsequent to balance date the Board declared an interim dividend of 3.0 cents per share (fully imputed), to be paid on 3 October 2024 (with a record date of 19 September 2024).

Independent review report

Independent Auditor's Review Report

To the Shareholders of NZX Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 22 to 38 do not:

- present fairly, in all material respects, the Group's financial position as at 30 June 2024 and its financial performance and cash flows for the six month period then ended and comply with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (**NZ IAS 34**) issued by the New Zealand Accounting Standards Board.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

- the interim consolidated statement of financial position as at 30 June 2024; and
- the interim consolidated income statement, and consolidated statements of other comprehensive income, changes in equity and cash flows for the six month period then ended;
- notes, including material accounting policy information.

Basis for conclusion

We conducted our review of the financial statements in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity (**NZ SRE 2410 (Revised)**). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the interim consolidated financial statements* section of our report.

We are independent of NZX Limited in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Our firm has provided other services to the Group in relation to regulatory assurance and agreed-upon procedures. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Use of this Independent Auditor's Review Report

This report is made solely to the Shareholders as a body. Our review work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the Independent Auditor's Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders as a body for our review work, this report, or any of the conclusions we have formed.

Responsibilities of Directors for the interim consolidated financial statements

The Directors on behalf of the Group are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34; and
- implementing necessary internal control to enable the preparation of interim consolidated financial statements that is are fairly presented and free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review.

NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim consolidated financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34.

A review of the interim consolidated financial statements prepared in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

The engagement partner on the review resulting in this independent auditor's report is Brent Manning.

For and on behalf of:

KPMG

KPMG

Wellington

22 August 2024

Corporate directory
Getting in touch

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Frank Aldridge
Elaine Campbell
Peter Jessup
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Rachel Walsh
Lindsay Wright

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